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Inflation in Real Estate Is It Here--or Coming?

Curbs have already been proposed for farm land sales — what's next?

Now that curbs have already been placed upon practically all activities which, of necessity, must be strictly regulated in a wartime economy, some mortgage men today profess to believe that we are about to be confronted with a serious effort to do the same thing for the purchase and sale of real property.

But they may be wrong; and if the effort so far in the farm land field is an example, it is doubtful if anything along these lines will be done.

Everyone interested in city and farm real estate and the lending of money on them knows that prices have climbed sensationally in recent years and that they are still on their way up. Many mortgage men — a good many — tell us that a great deal of farm and city real estate is changing hands today at prices considerably above what they should be. But we have found few who believe that the time has come when stringent restrictions, such as some government officials propose, are needed.

Aside from the curbs on real estate emanating from OPA, there has been a free market in real property. John H. Fahey, commissioner of the Federal Home Loan Bank Administration, has implied that the country has failed in its anti-inflation drive in this respect. He stated that while "curbs have been placed on consumer credit and ceilings on rents have helped to hold real estate prices in line, the fact is that real estate as a whole is the only kind of property inviting speculation over which no adequate checks have yet been established.

He sees trouble ahead and thinks that an "unsound boom in real estate prices and inflationary practices in mortgage lending are developing rapidly in crowded war industry cities—threatening to bring on such a condition as made it necessary for the government to step in to halt the mortgage panic of the early thirties."

Mr. Fahey was the first important government official* to speak out against this so-called inflationary trend in real estate sales and he laid the blame where he and many others think it rightfully belongs—inflated appraisals, inflated loans, inflated sales prices.

"What is needed is a thorough-going overhauling of our appraisal system by lending institutions, because in many parts of the country financial institutions of all types are making inflated loans based almost entirely on temporary market conditions and exaggerated appraisals instead of a sound consideration of future values. The situation can easily become a real menace and interfere seriously with the prompt resumption of home building when the war ends. Every banking and lending organization in the country should give earnest attention to placing the brakes on this trend. It is not sufficient to pass resolutions about it or to issue warnings to the reckless.

"Although new privately-financed war housing has been limited to $6,000, in too many communities war workers are being sold existing houses which they are almost certain to abandon after the war, at prices far in excess of real values. While it is true that some of these workers will remain in the sections to which they have migrated, an estimated three million workers have moved from their former homes to the war industries, a migration never before equalled in this country. Optimistic predictions that the wartime increases of population are permanent for

* The Mortgage Banker was among the first publications to comment on the question which Mr. Fahey brought into the open on November 30th in Chicago. Mr. Fahey believes that "in many parts of the country financial institutions of all types are making inflated loans" while the comments you have read here were based almost entirely on complaints that it was some savings and loan associations who were principally indulging in this practice. In recent weeks, as MBA members know, we have been conducting a nation-wide survey on the subject; and while savings and loans are way out in front in this respect, so our members say, they are not alone. We are being told that a few life companies are lending pretty liberally.

these crowded cities recall not only the years 1922 to 1928 but every land and housing boom that was encouraged by unsound lending and excessive prices during many decades."

What is going to come out of this present discussion can hardly be foreseen, but lenders generally are at least doing some serious thinking about the matter which is what MBA members have been doing for nearly two years.

The more specific development, however, is in the farm land field. Sen. Gillette of Iowa has introduced a bill to levy a 10 per cent tax on farm land sales. It probably isn't going to get very far, according to one view; the other view is that it stands a good chance and might even be tacked on the tax bill.

One of the things we noticed about the Gillette bill was that less than two months before the measure was introduced, the National Agricultural Credit Committee, organized about two years ago by the FCA to study this problem, met in Chicago—and this tax suggestion was hardly mentioned! As a matter of fact, no mention at all was made in the official report of the meeting although we understand it was discussed casually.

This fact—while in itself probably not very important—seems to indicate that this Committee hasn't been especially productive in its study of inflation in farm land values.

Sen. Gillette's bill provides for a transfer tax of 10 per cent of the amount paid for agricultural property if it is sold within a year after purchase. The tax would be paid by the seller and the Act would expire two years after the end of the war. When he introduced his bill, Sen. Gillette said that it was one of two plans he and representatives of the Agriculture and Treasury departments have been working on. The other was "absorption of the profit on a transaction by way of a tax of up to 100 per cent."

If Sen. Gillette and the Agriculture and Treasury departments had been working on these plans it seems unusual that they were not fully discussed at this Fall's National Agricultural Credit Committee meeting—especially since this Committee was organized by Gov. Black of the FCA and is principally composed of government agency representatives.

Undoubtedly the federal officials must of known of these plans and the projected legislation. This committee, incidentally (for the benefit of members who have not followed it closely), was formed to study this question alone. Meetings have been held periodically — there were two last year. At the September 27 meeting MBA, American Farm Bureau, National Council of Farmer Cooperatives, National Farmers Union, ABA, Bureau of Agricultural Economics, Office of Land Use Coordination, Federal Reserve System, Comptroller of the Currency, FDIC, Federal Home Loan Bank System, RFC, FSA and FCA participated. S. M. Waters, chairman, farm loan committee, and Secretary George H. Patterson represented MBA. The next meeting is January 31.

The Gillette bill provides that the tax "shall not be imposed where the transfer is made by the executor or administrator of the estate of a decedent, or where the transfer is made by inheritance, devise, or gift, or where the transfer is compulsorily made as a result of condemnation or the threat or imminence thereof, or where the transfer is by any instruction given to secure a debt, or where the transfer is through bankruptcy proceedings or by operation of law, or where quitclaim deeds or similar instruments are used to correct title flaws, or where the United States of America purchases or conveys such property."

(*The bill is S. 1532 and has been referred to the finance committee. Write the MBA office for a copy.*)

Two days after it was introduced Secretary Wickard told the National Grange in Grand Rapids that some such legislation was needed.

"I am convinced that the approach most worthy of our consideration at this time is the so-called land boom profits or resale capital gains tax. This plan calls for a stiff special tax on profits made from the resale of farm real estate acquired during the emergency period."

Next day, speaking in Cleveland, he said the national index of average per acre value of farm real estate and improvements on July 1 was 23 per cent above the 1935-39 level and probably would reach 27 per cent by the end of November.*

"There can be little doubt that a land boom is well under way and may, unless checked, reach even greater proportions than the last one and that the consequences of the following inflation will be even more devastating."

"The reason this (capital gains tax) plan appeals to me is that it does not interfere with or penalize in any way the bona fide farmer," Wickard explained.

Typical of how MBA farm lenders view the measure is the opinion of Frank C. Waples, president, Midland Mortgage Company, Cedar Rapids, Ia., and long interested in farm mortgages. Waples told Sen. Gillette that:

"It seems to me that your bill will defeat the purpose you evidently intended it to correct. The only thing it will do is to add 10 per cent more inflation on to any sale made. It will cause that 10 per cent to be added on farms which are not resold within a year but which might be sold for legitimate purposes, because when the speculative buyer has to add an additional

(*Continued page 7, column 1*)

WHY YOU HAVEN'T RECEIVED THE MBA

YEARBOOK AND DIRECTORY

The 1943 MBA *Yearbook* was scheduled for publication in late November. Addresses were edited and type set in ample time to meet that date had not printing difficulties over which we have no control developed in Chicago. Shortage of manpower and paper are the principal reasons for the delay. The same condition has prevailed in other large cities in recent months. Publication of the biennial MBA *Directory*, which is also complete, has been delayed for the same reason. According to present assurances given us the *Yearbook* should reach members about January 1st and the *Directory* shortly after that.

* The latest figures, which have just been released, show that farm real estate values increased about 3 per cent during the four months ended November 1st. But what seems even more significant is that the volume of voluntary transfers since March was about 75 per cent above a year ago. If this level is maintained during the coming winter, farm sales volume for the real estate year 1943-44 will exceed that of any earlier year on record, including the 1919-20 boom year.

SOMETHING FOR THE BOYS

Plenty of plans are already being proposed for aiding the veterans; here are some of them in our field

MORTGAGE men whose eyes are fixed on the post-war horizon expecting that a liberalized FHA, some vast plan for urban rehabilitation or lower interest rates may be their principal problem after the shooting stops, might well look again. Their principal interest in the immediate post-war period probably isn't going to be any of these things or any of the many other problems which we are noting in the hundreds of replies received in our nation-wide survey.

Their principal problem — and for most other business fields as well — is likely to be the returning soldier and sailor. Because when these ten or twelve million men re-enter civilian life, the impact is likely to be felt with terrific force; and the civilian economy had better be ready for it.

That seems to be nothing but plain horse sense because it is the returning soldiers and sailors who will constitute the bulk of the market for new construction loans after the war. And the construction loan is, as our friend W. Walter Williams of Seattle once put it, "the thing that sparks the mortgage business."

The war isn't over yet but it may be sooner than most of us dared hope a year ago. The forces which the Allied Nations are throwing at the Axis cannot be endured forever; so it is understandable that we are already well into the period when plans are being laid for what the nation is going to do for the returning soldiers and sailors. What about these plans and their effect on the mortgage banking field? Mortgage men who haven't given this question much thought might profitably do so, it seems to us.

These brief comments are not designed to supply all the answers to that question but merely to collect in one place a few of the proposals that have been suggested.

One of them is embodied in a bill by Sen. McCarran of Nevada (S. 1341) which would authorize any "lending agency", including federal savings and loan and building and loan associations which are members of a federal home loan bank, to lend to any veteran up to $1,000 to enable him to retire indebtedness on his home. These loans would be secured by instalment notes maturing in 3 years or less and bearing interest at 6 per cent. The RFC is required to purchase any such note remaining unpaid 30 days after maturity.

The accent is on homes and farms for veterans

Another is a bill by Congressman Patman of Texas (H.R. 3200) to amend the Bankhead-Jones Farm Tenant Act by authorizing an appropriation of $100,000,000 for each fiscal year beginning prior to the end of the war and $100,000,000 for each of the five years following the war, to enable qualified veterans to purchase farms under the terms of the Act.

A host of proposals and suggestions have been made in the veteran's behalf having to do with amendments to the National Housing Act. One suggestion would permit veterans to purchase houses insured under Title VI on liberal terms with the Government absorbing part of the cost. Another would grant a larger cash bonus to a veteran if it is applied to the down-payment on an FHA insured home. Another plan is for 100 per cent FHA insured home loans to veterans.

Two other congressmen have dropped bills in the hopper looking to the day when the boys come home. One, from Congressman Murray of Wisconsin, (H.R. 3014), would authorize grants not to exceed $1,000 per veteran for the purchase of a farm or home. Loans to cover the additional cost of the house or farm would be authorized. They would be secured by a first mortgage, bearing interest at 3% a year and would be repaid in instalments over a 40-year period.

The other, from Congressman Wickersham of Oklahoma (H.R. 3023), would create a veterans' farm mortgage insurance fund of $500,000,000 to be used by the secretary of agriculture as a revolving fund for the insurance of first mortgages on farms purchased by veterans of any war.

To be eligible for this insurance, the amount of a mortgage shall not exceed 90 per cent of the reasonable value of the farm and improvements, bear interest not in excess of 3 per cent and amortized in not less than 30 years.

The mustering out pay bills, originally introduced by Senator Barkley and Congressman May have undergone numerous changes. The Senate bill calls for from $200 to $500. The original May bill, an administration measure, had a $300 top. There are numerous other bills in congress, the most ambitious of which is one by Congressman Brook of Louisiana, which calls for mustering out pay up to $1,900. The house hasn't acted yet but both the Democratic and Republican leaders have said they will do so before January 15.

Some have observed that 1944 is a "political year" and that there may be no end to what Congress will want to do for the veterans. Certainly whatever is done this year in the way of mustering out pay, will not be the end of this matter — no doubt it marks only the beginning. The principal unknown factor in the whole matter is: what do the boys themselves want?

Another bill to help veterans is that of Sen. Bankhead of Alabama which would amend the Bankhead-Jones Farm Tenant Act by making it "possible for war veterans to obtain loans and insured mortgages, by reserving lands for sale to war veterans and to other persons eligible under this Act as amended, by providing for insurance of farm tenant mortgages, by increasing the responsibilities of county committees, and for

other purposes" (S. 1499).*

The post-war problem of the returning veteran is closer to us than we probably realize. And what few have stopped to appreciate is that about 70,000 men are being discharged every month now, and of these about half are coming from hospitals. Eric Johnston of the U. S. Chamber has recognized the problem and has told business men that they are in for a jolt if they see the veteran as the problem for tomorrow. He's here today and he's one problem that can't be muffed.

On the other side of the street is a different story. While many veterans are re-entering civilian life, a great deal more men are going into the armed services. For the first three months of 1944 about 900,000 men are going to be called up. The fighting forces on November 1 totaled about ten million; and by the end of December probably amounted to around 10,800,000 — but actually were short this figure by somewhere between 200,000 to 400,000. So the size of the veteran problem is increasing every day which can only add to its size in the post-war period.

As we observed, these comments are intended to spotlight only some high points about the returning veteran in post-war mortgage activity. MBA members of course are familiar with the more publicized steps which have already been taken in his behalf. Probably not all of them realize what some of these other steps are. For example take taxes. As one writer recently pointed out, a uniform carries with it a considerable list of tax benefits not available to civilian taxpayers. Among the most imprtant:

First — A member of the armed forces is entitled to up to $1,500 of service pay tax free so far as the federal government is concerned. This exemption applies to both income and victory levies and is in addition to the usual personal and other exemptions allowed all taxpayers.

Second — Under the pay-as-you-go act, if 1942 income was larger than 1943 income and was all "earned" (that is, was received as salary, commissions, fees, etc.) there is no need to substitute the 1942 tax for that of the lower income year. Civilians must figure their taxes of whichever of the two years showed the larger income.

Third — Allowances paid in lieu of food and quarters are not taxable.

And Uncle Sam seems to be doing a pretty good job from the standpoint of

(*Continued page 5, column 1*)

* There's a rather amusing story back of this one — with the laugh on MBA if you like. Sen. Bankhead first announced his plans in Jaspar, Ala., late last summer and it first appeared that what he had in mind was some plan for insurance of farm loans such as the MBA farm loan committee has been advocating for three years. We sent the Senator our explanatory data. He replied that he was interested but that he wouldn't write the bill until he returned to Washington in September. MBA made plans to consult with him prior to that time and even went so far as to issue a public statement — published in newspapers all over the country — calling attention to the fact that our basic idea was likely to be incorporated into important legislation. But when the time came for MBA farm loan representatives to consult with Bankhead in Washington, he "wasn't interested." It is not known even now whether he was ever actually interested in the farm mortgage insurance idea as we have proposed it — or didn't understand it. In any event S. 1499 is purely a veterans' aid measure and nothing else.

The Future of Public Housing as I See It

By LEON H. KEYSERLING

General Counsel, National Housing Agency

A PROGRAM by which the government might encourage private enterprise in post-war housing expansion could include these points:

First, the government should engage in research and disseminate information as to housing need, technical and technological conditions, trends of migration, and the like.

Second, the government should be prepared formally and directly to let industry know what the housing plans and intentions of the government are.

Third, war restrictions and regulations should be abated systematically when the situation permits.

Fourth, insofar as the dissemination of facts, the clarification of governmental policy, and the abatement of government regulations may not be sufficient to induce private industrial expansion to reach the American housing goal, *and only insofar as this proves to be the case,* the government should continue and improve plans to encourage private enterprise through the reduction of risks. A typical example of this is Title II.

Fifth, some new types of yield insurance should be explored for the purpose of encouraging long-term housing investments of prime quality.

Sixth, a workable plan for federal credits to reduce some of the land costs in urban areas down to a level where the land could be redeveloped, would stimulate and enlarge the housing job which private enterprise could do.

Seventh, subsidized or public housing should be undertaken *only* to meet that part of the American housing goal which, as a matter of proof and not a mere speculation, cannot be met by any of the foregoing devices. If kept within this boundary, subsidized housing, far from being a detriment to private enterprise, can be a stimulant and a spur.

Through the co-operation of industry and government, and with maximum emphasis on encouraging private enterprise to do all that it can, there might be attained a maximization of employment of men, money and materials by the housing industry, so that this basic industry may make its full contribution toward full employment for our economy as a whole.

Just as the achievement of the American housing goal should rely primarily upon private enterprise, so it should rely primarily upon local initiative and community machinery rather than upon federal action. Beyond some fiscal aid, any comprehensive plans and planning for the rebuilding of individual communities should in peacetime be community plans and not federal blueprints.

The construction of a million to a million-and-a-half homes a year, for a 10 to 15-year period, with accompanying improvements might mean a volume of capital investment—preponderantly private—running up as high as $10,000,000,000 a year, and a volume of employment running up to 5,000,000 workers.

(*Continued from page* 4)

the fathers who are now being called up. An *average* father drafted for military service will leave behind a family able to keep body and soul together.

The government assures him and thousands of other fathers who will be drafted in the coming months that their families' level of living will be above what economists call a "minimum of subsistence," though short of an abundant life.

Who is an average father? Labor Department figures show the average weekly pay of a worker in non-durable goods industries is $32.51. The average worker in manufacturing establishments earns $41.12 a week. A man in the durable goods industries averages $47.-15 a week.

Anything within reason which the country can do for the returning veteran isn't going to create any opposition. The boys who are winning this war deserve — and will surely get — the rewards which a free people will want to bestow.

And they are going to have some helpers if they need it. The National Commander of the American Legion made that pretty plain when he said:

"We'll start a bonfire that will burn the Washington squirrel cage down unless the men returning from war get their just deserts."

The Position of HOLC as I See It

By JOHN H. FAHEY

Commissioner, Federal Home Loan Bank Administration

INFLATED lending is evident in the case of many loans formerly held by HOLC which have been refinanced recently by private lending institutions anxious to get loans which now represent little risk although previously badly in default.

The extent to which some of those loans have been increased out of all proportion to reasonable figures plainly indicates the trend. At a time when people should be encouraged to reduce their debts, it is certainly not in their interest nor in the interest of business to lend them more money and increase the great volume of dangerous cash already loose in the land. Nearly 1200 such inflationary loans have been noted in the past three months in more than 20 states. The houses on which these new loans were placed averaged over 22 years old and there was an average increase of over $1,500 per property, or 78% more than the HOLC balance at the time of transfer.

Various proposals have been made for accelerating the liquidation of HOLC. If all HOLC loans and remaining properties could be sold for cash at a given date to responsible institutions without heavy losses to the government and injustices to borrowers, I would recommend it emphatically; but to sell off merely the good loans is quite a different matter.

The sale of loans which have been carried along by the Corporation at great expense and finally brought into good condition, while leaving it with slow-pay accounts expensive to service, simply does not make sense. Such a plan means that the government would be deprived of the income on its good loans and would still be obliged to maintain a nation-wide organization to service the slower loans. That course would involve greatly increased losses and add a larger sum to the government debt.

Mortgage lending institutions clearly should be the last to adopt policies which increase the government debt needlessly and prolong burdensome taxation, in order to gain a few extra dollars for themselves. No class of businessmen have done more to aid the war program. It is difficult to believe that any of them who really understood the HOLC problem would campaign to take over the Corporation's good loans and inevitably impose serious losses upon the government.

The impression exists in some quarters that HOLC has not attempted to liquidate and that no plans were provided for its liquidation. The fact that the original HOLC Act provides in definite terms for its liquidation is usually disregarded. Congress fixed the time HOLC borrowers should have to pay their loans as well as the final maturity of the Corporation's bonds. It provided that no loan should be made after June 12, 1936.

The liquidation is well ahead of schedule. The extent of liquidation progress plainly has not been understood. HOLC made a total of loans and advances amounting to three and a half billion dollars. On last June 30, the end of the fiscal year, $1,852,000,-000 of its assets had been liquidated, or more than 53 per cent. At that time the Corporation had taken over, as a result of deaths, abandonments, foreclosures, etc., 195,643 properties and had sold 170,652 houses, or 87.2 per cent. The losses on the properties HOLC was forced to acquire were offset by interest, rent and other income to a total of $189,000,000, leaving a net deficit of $65,000,000.

As of the June billing dates, 470,759 of the Corporation's accounts, or over 63 per cent, had outstanding balances of less than $2,000 and but 75,000 of them, or only about 10 per cent had balances in excess of $4,000. Over 80,000 of HOLC accounts were between $250 and $500 last June. Now they are smaller still. 220,000 of them were less than $1,000.

The HOLC accounts as of June 30th were distributed in every county in the United States, except a very few, and in 19,047 communities. Of this number 5,815 communities had but one loan, 2,-637 had only two loans and 1,588 had but three loans. Out of the 19,047 communities there were 14,266 places or about 75 per cent of the total number which had less than ten loans. They represented a total of 37,700 seperate loans and over 10,000 of them ranged between $250 and $500. Over 11,000 more in these smaller communities had balances of but $500 to $1000.

The Corporation has been working steadily to help its borrowers improve the condition of their loans as well as to persuade them to increase their monthly payments beyond the amounts due. In the past fiscal year they responded by paying the Corporation $53,000,000 more than their contracts called for.

MBA Members Urge Refund of War Damage Premiums

But not quite all of them; some strongly disagree and think we got the protection we paid for

"I AM personally going to direct communications to our senators urging that this (war damage premiums refund) bill be killed. The people who bought war risk insurance received the protection they paid for and are entitled to no refunds. The matter of looking to the federal government as a grab bag is irritating to me in the extreme."

That's the opinion of J. E. Foster, Jr., president, Texas MBA, about the Brooks-Busbey bills which provide for refunds to policyholders of war damage insurance premiums, less deductions for losses and administrative expenses. And he is not the only one who thinks the same way as these comments reflecting another point of view clearly show.

Another is W. W. Beal, president, Iowa Securities Company, Waterloo, who said:

"This is like other risk insurance. If a private company had written it, it certainly would be unwilling to return the premiums simply because no losses have resulted . . . the risk covered was a very great one. Had losses occurred, the insurance paid would probably have been utterly insufficient to have covered them. Under the circumstances, the persons insured got by with a very light premium charge; and if it is now to be refunded, it means that the government will simply have to seek that much more money from general taxes. I think most of the persons who are concerned are not in favor of higher federal taxes and I do not think it is a good thing from the standpoint of public opinion for property owners to be seeking this favor when we are condemning other groups for pressing claims at a time like this."

Another who thinks the same way is the head of the mortgage loan department of one of the large life insurance companies in Hartford. He said:

"At the time we took out our war damage policies we were very anxious to have this coverage and there seemed to be no source from which we could get it except through the War Damage Corporation. Under the circumstances and as a property owner, I feel that we would not be consistent in asking for a return of the premium because of the loss experienced . . . this is the only instance in which I have not been in entire agreement with MBA's legislative policy . . ."

Walter E. Lovejoy, president, Arizona Trust Company, Tuscon, declared that "it seems to me that if the government were fortunate enough to make a little out of a venture such as seems to be the case, the money should go into the general pot. Where would the money have come from had the government sustained losses far in excess of the premiums collected. This money would of course have come from the general pot — that is, 'we the people.' "

However, the majority of MBA members do approve of these measures as we have discovered in tabulating our recent nation-wide survey on this subject. It's about five or six to one so far: the final count will be announced soon.* MBA asked the state legislative chairmen to inquire as to why the Brooks bill was being held up in Senate committee.

Among those state legislative chairmen and others who immediately went into action by urging that the bill be reported out of committee at once were R. H. Lee, Richmond; C. P. Kennedy, Cincinnati; E. B. Drake, Lincoln; Irving L. Roth, Cincinnati; G. M. Burlingame, Bryn Mawr, Penn.; Paul C. Pancake, Huntington, West Va.; H. G. Baldwin, Seattle; Newell B. Dayton, Salt Lake City; Ernest Gohrbrand, Portland, Ore; Alester G. Furman, Greenville, S. C.; John A. Terrill, Concord, N. H.; Howard E. Green, Chicago; Aksel Nielsen, Denver; Wm. T. Wood, Macon, Ga.; Eugene L. Connor, Wilmington; Joseph M. Miller, New Orleans; C. Armel Nutter, Camden, N. J.; Raymond B. Haizlip, San Francisco; D. W. Stowell, Rexburg, Ia.; Conrad H. Lowell, New York; George F. Slade, San Francisco; and Oliver M. Walker, Washington.

We have estimated that if the war lasts two more years, war damage premiums will total a half billion dollars which, if no refunds are made, will eventually go into the federal government general fund. The contention has been that this would, in effect, mean a special tax on real property.

Editorial comment on the bills has been scanty. A syndicated editorial in the *Meadville (Pa.) Republican* and other papers points out that the "federal government is getting a bad reputation from critics who believe that once Washington gets its hands on private funds, it doesn't let go."

It repeats the MBA estimate that if the war lasts two more years, war damage premiums will total half a billion dollars and asks:

"What is going to happen to this tremendous sum, representing as it does a definite profit to the government? The Mortgage Bankers Association is urging passage of two companion bills in the house and senate calling for refunds to policyholders after the war, less deductions for losses and administrative expenses. Failure to provide for refunds would mean that the money would be used for government expenses.

"It is not wholesome for the government to have a reputation of not meeting its honest obligations, despite the facility with which it spends tremendous sums of public funds or makes outright grants. Here is an opportunity for it to improve its reputation by refunding the insurance premiums not expended in the payment of losses or in administrative costs."

* A current sidelight is the report of the Chicago MBA. Replies from 60 per cent of its members indicate that the majority are requesting war damage insurance but are not insisting on it if the mortgagor objects. A few members state that they do insist on this coverage on all new loans. A few indicated that the coverage is being required on FHA loans only. Several stated that even though they are not requiring insurance at this time, they still insert the provision for it in their trust deeds and extension agreements so that this coverage may be placed if it is deemed advisable. One member who has been demanding this type insurance states that his company is seriously considering discontinuing this demand and will possibly take out a blanket policy for approximately 10 per cent of its loans, the premium to be paid by the company.

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REAL ESTATE INFLATION

(Continued from page 2)

10 per cent in order to make the same profit on his farm that he had heretofore, it is going to raise the whole general price level. If you are attempting to control inflation, it would be better if your bill is not passed.

"If you are disturbed about inflationary tendencies, why not look into the city property situation? Why single out the farmer when no attempt is made to control inflation in city property? Although our city (Cedar Rapids) values have not been disturbed as seriously as in many cities where there have been great gains in population, yet residence property is selling at from 25 per cent to 30 per cent more than it did a year ago.

"Although under federal regulations, more sales now have to be made with a much more substantial cash payment, yet that has not had any particular effect on retarding increased prices. These prices, based on normal building costs, are considerably higher than our farm land, which still hasn't, in most cases, come back to a normal value. It certainly is not fair to let city property go unretarded and throw restrictions around farm property segregating it from all other property."

There has been a notable lack of public discussion of Sen. Gillette's bill which seems strange in view of the fact that department of agriculture officials, college professors and others have been doing so much talking about the problem for more than two years. One cannot help but wonder how aggressively Sen. Gillette will push it since it is believed he won't run again next year (he was one of the Democrats marked for the purge the last time he was up).

In any event, those who think they are pretty good at reading crystal balls say the bill would be sure to meet terrific opposition from many sources—and they weren't thinking of mortgage interests either but groups whose voices are listened to with considerable attention in the capitol. Editorial comment too has been skimpy. The *American Banker* recognizes the problem—and the difficulty as "an unhealthy tendency which has developed in which both farms and dwellings are changing hands at prices which can best be described as speculative.

"The war has done it, restricting building and development and at the same time filling people's pockets with money. . . . But while the war-swollen towns and cities may suffer setbacks, a trend toward speculation in real estate in favored areas will be hard to stop."

NEW VICE PRESIDENT

Roy F. Taylor

Roy F. Taylor, vice president and manager, mortgage loan department, Seattle Trust and Savings Bank, Seattle, has been elected MBA regional vice president for the Pacific Coast area. This place has been vacant since the last annual meeting. Election was by the board of governors by ballot. Mr. Taylor has long been active in the affairs of the Seattle MBA and was largely responsible for local arrangements when the MBA "traveling Clinic" was held in Seattle in 1942.

He has been with the Bank for 21 years and lived in Seattle since 1902. He has a son in the Marine Corps.

Many members are using the MBA insignia on letterheads, printed pieces and in newspaper advertising. Order direct from the headquarters office (actual size shown here). The cost is $1.50, mounted and ready to use.

A CLARIFICATION

In the article *What's Wrong with FHA?* in the December issue, Frank Wolff, San Antonio, a member of the board, was quoted twice and in such a way, he writes, as to "give the impression that I am opposed to the FHA program, whereas, as a matter of fact, I am now and always have been enthusiastic for that governmental agency."

He points out that the recent *Architectural Forum* survey "showed a very strong demand by certain groups for a further and drastic liberalization of FHA terms. My express opposition was to these pressure groups who would, if their demands were granted, destroy the very fundamentals of the FHA insurance program.

"It is my opinion that the formation of FHA was a very constructive piece of legislation and that it has functioned, since its inception, in a very constructive way. I want to keep it sound because, as a conservative mortgage banker, it is my only means of competing with high ratio lenders. I do not want to see it undermined by radical amendments which would impair its usefulness and lead to its ultimate destruction."

Mr. Wolff's position is entirely clear. We sincerely regret creating an incorrect impression of his views.

Members may have noticed the story to the effect that Secretary Wickard has a bill in his pocket calling for a 90 per cent tax on profits from farm lands sold within two years after purchase. The report of Wickard's bill came from a newspaper columnist who declared that those who are doing the speculative farm buying aren't farmers at all but mostly "investment houses and insurance companies." Such fantastic assertions are indeed unfortunate because they create such an inaccurate impression.

President's Report to the Members

Your Association's officers have just concluded a series of conferences in Washington with officials of those federal agencies whose activities directly influence the mortgage field. The results have been favorable. We have learned a good deal we did not know before; and once again have been able to interpret to these officials the MBA viewpoint on many questions.

Among the MBA officers and committee chairmen who participated in some or all of these conferences were Charles A. Mullenix, Cleveland; H. C. Peiker, Springfield, Mass.; George B. Underwood, Irvington, N. J.; Earl B. Schwulst, New York; Robert B. Montgomery, G. Calvert Bowie and W. L. King, Washington; Milton T. MacDonald, Jersey City; Dean R. Hill, Buffalo; George H. Patterson, Chicago and the writer.

We expressed the view that the practice of builders dealing direct with FHA offices should be discontinued. It is agreed, of course, that it will end with discontinuance of Title VI which should occur immediately after completion of the war housing program, in our opinion. Speeding up the FHA processing time is the most serious complaint FHA mortgagees are making these days. It is being given careful study and George B. Underwood, chairman, FHA Committee, Charles A. Mullenix, chairman, Washington Contact Committee, I and others believe that this situation will improve. The question of FHA policy on the pay-off certificates is still as important as ever and is causing much concern.

Mr. Mullenix has suggested to Mr. Ferguson that it might be well for him to submit to us a list of important policy questions which would be assigned to our various committees for thorough study and regarding which we could then make specific recommendations.

One of the most important questions we explored concerned HOLC. Our special committee headed by Mr. Mullenix, conferred on this matter with John H. Fahey, commissioner, Federal Home Loan Bank Administration, and James Twohy, governor of the FHLB System. Out of this discussion has come some tentative plans which are now being explored, both by us and by the federal authorities.

Relative to the savings-and-loan matter previously discussed here, we found Mr. Fahey and Mr. Twohy as determined as ever to prevent members of the FHLB System from making inflationary appraisals. They are still convinced that their specific case supervision system can function effectively and meet the need. Mr. Fahey, as members know, recently declared that serious inflationary price rises are occurring in real estate sales and added that we must have an overhauling of lending institutions' appraisal systems.

We also had a constructive meeting with John B. Blandford of the NHA; and, as a result, several matters on which he will appreciate advice and recommendations from MBA have been referred to our Postwar Planning Committee headed by Byron T. Shutz, Kansas City. These include proper disposition of permanent and temporary housing erected by the Federal Public Housing Authority under the Lanham Act. There is also the problem of keeping the construction industry alive during the interim between the completion of the war housing program and resumption of normal construction. Mr. Mullenix has expressed the opinion that as the materials situation improves, the limit under L-41 should be increased to $12,500 for private construction under Title II or conventional financing. We also reviewed the whole question of subsidiaries for low-income groups.

A plan originally suggested in the FHA handbook is attracting more favor, I found. This idea contemplates rent certificates which the very low-income groups could use to make up the difference between actual economic rent and the rent they can afford to pay. In this way, the government would subsidize people and not housing. Housing would thus remain entirely in the hands of private interests.

This month's report might well be closed with a quotation I noticed recently and which might be read in connection with the observations in this issue about what we are going to do for the veterans after the war. In a newspaper advertisement the other day, MacFadden Publications pointed out that "You can spell the future of America after the war — and that of every American — in just four letters: *jobs*. Jobs! Not relief checks. Not charity. Not the handouts of a grateful government . . . but the kind of jobs that America has stood for these 169 years."

L. E. Woodruff

December 27, 1943.